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SUBJECT: LUXEMBOURG SCENE SETTER: FOREIGN MINISTER
ASSELBORN'S VISIT TO THE U.S.

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Classified By: A/DCM, Michael A. Via, reasons 1.4(b)(d)

¶1. (C) Summary: Foreign Minister Jean Asselborn travels to the U.S. following ratification of a new coalition government on July 20. Luxembourg is a staunch ally of the United States and recently pledged four million Euro per year to support the Afghan National Army. Post began negotiations with the Government of Luxembourg (GOL) on July 14 to craft an arrangement to share terrorist screening information pursuant to Homeland Security Presidential Directive) 6 (HSPD-6). Department may wish to prompt Asselborn for GOL commitment to this initiative.

¶2. (SBU) The United States and Luxembourg concluded an Amendment to the &Double Taxation Avoidance Agreement⁸ on May 21, 2009. Luxembourg is recognized as a center of excellence in a variety of business sectors, including finance/banking, satellites, steel and the media. The local chapter of AMCHAM currently represents upwards of 96 U.S. or U.S.-affiliated enterprises, and would welcome the visit of a Department of Commerce Trade Delegation to strengthen and expand ties to the host government.

¶3. (U) Embassy Luxembourg will engage extensively with the host government in the year ahead with a number of commemorative events to mark the 65th anniversary of the liberation of the Grand Duchy and end of World War II. Jean-Paul Senninger, Luxembourg,s Ambassador to Washington, has agreed with the newly-arrived embassy staff to work actively to enlarge participation in the Fulbright Exchange Program and other academic/cultural activities geared toward the country,s youth, a generation once-removed from the flickering remembrances of the World War II era. End Summary.

Previous U.S. Visits

¶4. (SBU) Asselborn visited New York on June 25 to attend the UN-sponsored &Conference on The World Financial Crisis and Its Impact on Development.⁸ As Foreign Minister, Asselborn has frequently travelled to the U.S. for UN meetings but has had relatively few bilateral meetings with U.S. officials. He met with Deputy Secretary Zoellick in June 2006 and with Secretary Rice on the margins of an EU meeting in 2005. For this reason, Asselborn feels somewhat overshadowed by the presence of long-serving Prime Minister Jean-Claude Juncker, and will no doubt relish this opportunity for a meeting and photo-op with the Secretary. (Note: PM Juncker met with President Bush in 2005 and 2008.) Media attention in Luxembourg for Asselborn,s trip is expected to be quite high given Europe,s positive first-blush to early initiatives from the Obama Administration following recent POTUS visits to the continent.

New Government Similar to Predecessor

15. (SBU) Luxembourg is a staunch ally of the United States and the tone of the relationship between the two governments is overwhelmingly positive. Luxembourg's general elections on June 7, 2009 resulted in a repeat victory for the governing Christian Social People's Party (CSV), led by Prime Minister Jean-Claude Juncker. This is Juncker's fourth, five-year term as Prime Minister. The Socialist Party (LSAP), the second party in the governing coalition which Jean Asselborn leads while serving as Luxembourg's Deputy Prime Minister and Foreign Minister, gained the second largest number of votes in the June general election. The current government is similar to its predecessor: only three Ministers out of fifteen were replaced and several portfolios were reshuffled (reftel). These minor changes are not expected to have any major impact on GOL foreign policy initiatives. The new Minister of Defense, Jean-Marie Halsdorf, has been a strong supporter of increasing Luxembourg's defense expenditures within NATO and is expected to continue implementing reform of the army, ensuring sustained participation in European and international peace missions.

Committed To EU Integration and Consensus Building

16. (SBU) A multicultural and multilingual state throughout its history, Luxembourg has consistently based its foreign policy on active participation in multilateral cooperation at

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both the regional and international level. The GOL has sought to play a key role in UN activities, and this year assumed the Presidency of the Economic and Social Council (ECOSOC). The new coalition government will likely continue to campaign for a non-permanent seat on the UN Security Council for 2013-2014, and seek support from the U.S. despite Australia's and Finland's candidacies.

17. (SBU) Luxembourg is arguably the EU member state most committed to deep and strong European integration. Its leaders recognize that Luxembourg's national security is enhanced -- and its voice in regional and international affairs greatly amplified -- through its role as a founding member of the EU. It is not a stretch to say that, in many cases, Luxembourg's national objective is "agreement which strengthens cooperation" rather than a specific substantive outcome. Consensus-building and cooperation to enhance the EU are ends in themselves.

Negotiations on Sharing Terrorist Screening Information

18. (SBU) Post began negotiations with the GOL on July 14 working toward an arrangement to share terrorist screening information pursuant to Homeland Security Presidential Directive)6 (HSPD-6). Post shared with the GOL a draft HSPD-6 agreement for review and comment. While the exchange of terrorist screening information is a win-win, the GOL's primary interest in reaching this accord is linked to continued participation in the Visa Waiver Program (VWP). Department of Homeland Security has determined that signing an agreement pursuant to HSPD-6 would satisfy the 9/11 Act's requirement for an instrument to exchange terrorist screening information. Post has been pleased with the GOL's response to our overtures thus far. MFA Secretary General Duhr explained that it is his government's political will to see that this agreement be reached, and that it be concluded in a timely manner. The major sticking point for Luxembourg will be to determine what information it would be willing and legally able to share with the USG. Given the VWP link, the MFA will likely be the driver to secure signature and

ratification of this accord.

Agreement Reached Ending Luxembourg,s Tax Haven Status

¶9. (U) The United States and Luxembourg concluded an amendment to the &Double Taxation Avoidance Agreement8 in Luxembourg on May 21, 2009. Ratification of this agreement came on the heels of the April G-20 meeting in London, where Luxembourg was named to an OECD &grey list8 of banking secrecy jurisdictions (i.e. tax havens). GOL made it very clear it wanted the U.S. to be the first partner with whom an agreement had been reached to comply with OECD standards. Luxembourg has now concluded the necessary agreements with all required partners and was removed from the OECD,s &grey list8 on July 8, 2009.

Asselborn The Man

¶10. (SBU) Jean ASSELBORN, (zhahn, ah-sil-born), Deputy Prime Minister; Minister of Foreign Affairs (Since July 2004), born April 27, 1949, spent much of his professional career in the town of Steinfort, a small city on the Belgian border through which General Patton,s Army passed en route to Bastogne during the Battle of the Bulge. Asselborn gained headlines (and the ire of Prime Minister Juncker) in 2003, for using his position as head of the opposition in the Chamber of Deputies to publicly criticize Juncker and then-Foreign Minister Lydie Polfer, for their reticence to oppose U.S. military action in Iraq. This event helped to place him as the Socialist Party,s front-runner for the 2004 elections and probably contributed to the Socialists winning more seats than the DP (Democratic Party). As a result, the LSAP emerged as the junior coalition partner, with Asselborn able to lay claim to both the Deputy Prime Minister and Foreign Minister portfolios.

Luxembourg: A Financial Capital In The EU

¶11. (U) Although small on the geographic and population scale, Luxembourg is a leading business location and ranks among the top international financial capitals of the world. Luxembourg also serves as the headquarters to major European

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public institutions engaged in economic affairs, e.g., European Investment Bank (EIB); European Court of Auditors; and the European Publications/Translation Office.

¶12. (U) Luxembourg is recognized as a center of excellence in a variety of business sectors.

- Finance: It is the world,s second largest domicile, after the U.S., of investment fund assets (now Euro 1.5 trillion or 2.1 trillion USD); administrative and custodial services; and large banking assets.
- Satellites: Founder and home of the world,s largest satellite operator group, SES (including SES Astra; SES Americom; and SES New Skies).
- Steel: Headquarters of the world,s largest steel group, Arcelor-Mittal, with origins dating to the turn of the 20th century. ARBED, the Luxembourg national steel company (the &Ar8 in &Arcelor8), merged with French and Spanish steel companies in 2002 to develop the iron ore industry and other resources in the southern part of the country (Differdange, Dudelange, Esch/Alzette). Prime Minister Juncker,s father worked at the ARBED steel factory.
- Media: Founder and home of Europe,s largest broadcasting company, RTL Group (Radio Television Luxembourg).
- Aviation: Home to Europe,s largest and most successful cargo airline, Cargolux, with an all-Boeing aircraft fleet of 747-400F freighters) launch customer of the new generation

747-8F freighter.

- ICT/e-commerce: Luxembourg launched LuxConnect as a national initiative to optimize international bandwidth connectivity. Many prominent U.S. high technology companies have established their EU headquarters in Luxembourg, including Amazon, PayPal, Digital River and Macro Vision.
- Logistics: A priority of the Ministry of Economy under development.
- Health Technologies and Research: launched a cutting edge medical research center with collaboration from the Ministries of Economy, Health and Research, the Public Research Centers, the University of Luxembourg, and leading U.S. scientific experts, including Nobel Prize winning biotech leaders Dr. Jeffrey Trent (TGen), based in Phoenix, Arizona, and Dr. Leroy Hood, based in Seattle, Washington.

¶13. (U) Luxembourg commerce is enhanced by attractive regulatory factors and incentives:

- A proactive and pro-business government and economic development policy; trade and investment offices worldwide to promote bilateral trade and investment (called &Board of Economic Development⁸, with U.S. offices located in New York and San Francisco, linked to the Luxembourg consulates in those cities).
- Economic freedom and opportunity (open foreign investment regime; low transaction barriers).
- Consistently rated &low-risk⁸ environment (political, economic, legal, security) and a high quality-of-life (minimal pollution and personal safety issues).
- Despite a slight decrease in 2008, high degree of competitiveness, according to annual world surveys (sustained economic growth up to the current crisis; balance of trade and low public debt; lowest VAT rates in the EU).

Embassy Outreach

¶14. (U) U.S. Embassy Luxembourg continues to reach out to youth and young professionals through a number of academic and cultural channels:

- Each year the embassy selects two to three young Luxembourg professionals to send to the United States for intensive professional programs via the International Visitors Leadership Program. Recent participants have come from the University of Luxembourg, the Grand Ducal Police, a French language newspaper and the Ministry of Foreign Affairs and Immigration.
- The U.S. Embassy supports a scholarship program for University of Luxembourg students to spend a semester studying in the United States. Five Students have already been selected for this scholarship which is funded by the Embassy and U.S. companies with offices in Luxembourg.
- We reach out to high school students through an annual student contest which encourages students to engage on current topics. The most recent contest, which involved writing a letter to President Obama, drew 200 participants from 19 high schools from across the country.
- We continue to seek ways to strengthen Luxembourg participation in the prestigious Fulbright Scholarship program, which is managed out of Brussels. Two American Fulbright scholars will be resident at the University of Luxembourg during the coming academic year. The embassy has secured a commitment from Luxembourg Ambassador to the United

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States, Jean-Paul Senninger, to institute a mechanism to increase the number of Luxembourghers participating in the Fulbright program.

¶15. (U) The U.S. Embassy will be taking part in the Grand Duchy's official commemorations of the 65th anniversary of the liberation of Luxembourg scheduled for September and December 2009 and May 2010. To help kick off these important events, the Embassy will be hosting a special &Luxembourg Greets America⁸ concert in Luxembourg City on September 19,

performed by the Bettendorf Firefighters Band.

Comment

¶16. (C) Newly-arrived Charge d'Affaires will use his courtesy call on July 28 to reaffirm our close ties with the GOL, and with Minister Asselborn, whose relationship with the Embassy has been strained in recent years by what he perceived as frequent back channels between the former U.S. Ambassador and Defense Minister Luc Frieden on matters of state. Asselborn's visit may indeed present an opportunity to recenter the personal and professional relationship with the Foreign Minister on a more constructive course both in Washington and with Embassy personnel in Luxembourg City. Assessment of the courtesy call to be reported septel.

¶17. (U) Embassy point of contact is A/DCM Michael Via, viama@state.sgov, IVG: 8-677-2240.
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